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SUBJECT: President's Economic Vision for Guyana

Summary

11. At a December 1 speech to the Georgetown Chamber of Commerce, President Jagdeo threw away his speech and instead spelled out, unscripted, his economic vision for Guyana's future. His remarks highlight a strategy for Guyana's infrastructure, macroeconomic policy, and growth sectors.

Ambitious Plan for Renewable Energy, Modern Communications

12. Jagdeo emphasized the importance of renewable energy to Guyana's future, citing three potential sources. All three renewable energy sources would offer far lower marginal costs than the Guyana's current diesel-fueled electricity generation which produces the second most expensive electricity in the world at US\$0.24, US\$0.30 and US\$0.36 per Kwh respectively for residential, industrial, and commercial consumers.

-- Hydroelectric: Jagdeo wants to see 100 megawatts (MW) of hydroelectric generation within five years. Studies indicate that Guyana has sufficient water resources to develop 7,000 MW of hydroelectric power, compared to the incumbent power company's 123 MW of installed capacity. (NOTE: Guyana has spent decades periodically flirting with the promise of harnessing the considerable potential of Guyana's rivers, without any tangible results so far. The Chinese completed a small Hydro Power station at Moco Moco on the Brazil border in April 2004, but it failed a few weeks later after a landslide caused extensive damage.)

-- Wind: Wind energy is feasible along the coast and a Curacao-based company is constructing an initial 11 MW wind farm at Hope Beach in northeastern Guyana. Jagdeo strongly supports continued commercial development of wind energy farms.

-- Bagasse: Jagdeo noted that the sugar industry will also contribute electricity through bagasse, a byproduct of sugar production. Guysuco is building a cogeneration plant at its most modern sugar estate, Skeldon, which is expected to supply power to the national grid in addition to its own sugar factory.

13. Jagdeo aims to upgrade Guyana's telecommunications infrastructure to provide broadband access to the 90% of the population living along the north coast.

-- Telephony: Jagdeo wants Guyana to be connected more closely with the world through lower international calling rates and said that he would not mind losing tax revenue in

exchange for lower international telephone rates. The goal is for GT&T to provide adequate bandwidth at competitive prices.

-- Internet: In terms of technology, Jagdeo said that he wants a computer in every Guyanese home and full coverage for broadband access along the coast. (NOTE: Guyana's telecommunications monopoly GTT, a subsidiary of an American corporation, has fought deregulation every step of the way. GTT works hard to keep telecommunications rates among the highest in the world. GTT's current rate for a 1024 Kbps internet connection is US\$14,645 per month (sic!), plus US\$4600 for installation. Rates for international telephone calls vary from US\$0.50 per minute to the U.S. and Canada to more than US\$3 per minute to other countries. As the monopoly internet provider, GTT filters out VOIP services and shuts down independent ISPs that try to offer VOIP in defiance of GTT's filters.)

¶4. Education is the final piece of Jagdeo's vision for Guyana's infrastructure. He said that access to education can no longer be the sole objective. Policies must focus on improving the quality of education as well.

----- Jagdeo Commits to Keep Lid on Inflation -----

¶5. Jagdeo described his approach to monetary and fiscal policy in unequivocal terms. Guyana will continue its restrictive monetary policy, sterilizing foreign exchange inflows to prevent inflation. It will not use inflows to finance its fiscal deficit. Jagdeo committed to a controlled fiscal policy. He said that his government would not propose a loose "election year" budget for the purpose

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of currying voters' favor.

----- Engines for Growth -----

¶6. Jagdeo pointed to three areas to drive Guyana's future growth.

-- Services: Jagdeo supports the tourism sector in particular as a promising area for Guyana.

-- Information & Communication Technologies (ICT): Development of the ICT sector depends on Guyana's success in vastly improving its technological infrastructure as described in Para 3. Jagdeo wants to develop an ICT sector that can compete internationally and export its services.

-- Cultivation of the Intermediate Savannas: Guyana's savannas lie far south of the coast as the rain forest gives way to grasslands traditionally used for cattle grazing. These lands are arable but sparsely populated. Jagdeo sees an opportunity for their agricultural development.

----- Defiant on Sugar -----

¶7. Jagdeo closed his remarks with a firm defense of Guyana's sugar industry and its future. Unbowed by the European Union's impending 36% price cut for ACP sugar, he spelled out an ambitious strategy to increase competitiveness. Guyana's sugar industry aims to lower production costs from 17-18 U.S. cents per pound to 10-11 cents through aggressive investment and modernization. To achieve lower unit costs, he cited a sugar production target of 400,000 tonnes of sugar per year (compared to approximately 325,000 tonnes in 2004). Greater efficiency will yield more sugar from existing cane fields, but Jagdeo also called for developing even more land for sugar production. In the long run, Jagdeo sees Guyana increasing sugar cane production by a

factor of three or four. In his view, more sugar cane will support large-scale ethanol production in Guyana.

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